

## **IRS TAX TIP 2004-43**

### **ARE YOU ELIGIBLE FOR ANY OF THESE TAX CREDITS?**

Taxpayers should consider claiming tax credits for which they might be eligible when completing their federal income tax returns, advises the IRS. A tax credit is a dollar-for-dollar reduction of taxes owed. Some credits are refundable – taxes could be reduced to the point that a taxpayer would receive a refund rather than owing any taxes. Below are some of the credits taxpayers could be eligible to claim:

#### **Earned Income Tax Credit**

This is a refundable credit for low-income working individuals and families. Income and family size determine the amount of the EITC. When the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and qualify for the credit. For more information, see IRS Publication 596, "Earned Income Credit (EIC)."

#### **Child Tax Credit**

This credit is for people who have a qualifying child. The maximum amount of the credit is \$1,000 for each qualifying child. This credit can be claimed in addition to the credit for child and dependent care expenses. However, the credit must be reduced by any advance child tax credit payments received in 2003. To be sure of using the correct figures, advance payment recipients can find the amount they received on IRS Notice 1319, which they should have received just before the payment check. Those who don't have this notice find the amount by visiting the IRS Web site at [www.irs.gov](http://www.irs.gov) and clicking on "1040 Central" or "Your 2003 Advance Child Tax Credit." For more information on the Child Tax Credit, see Pub. 972, "Child Tax Credit."

#### **Child and Dependent Care Credit**

This is for expenses paid for the care of children under age 13, or for a disabled spouse or dependent, to enable the taxpayer to work. There is a limit to the amount of qualifying expenses. The credit is a percentage of those qualifying expenses. For more information, see Pub. 503, "Child and Dependent Care Expenses."

#### **Adoption Credit**

Adoptive parents can take a tax credit of up to \$10,160 for qualifying expenses paid to adopt an eligible child (including a child with special needs). For more information, see Pub. 968, "Tax Benefits for Adoption."

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### **Credit for the Elderly and Disabled**

This credit is available to individuals who are either age 65 or older or are under age 65 and retired on permanent and total disability, and who are U.S. citizens or residents. There are income limitations. For more information, see Pub.524, "Credit for the Elderly and Disabled."

### **Education Credits**

There are two credits available, the Hope Credit and the Lifetime Learning Credit, for people who pay higher education costs. The Hope Credit is for the payment of the first two years of tuition and related expenses for an eligible student for whom the taxpayer claims an exemption on the tax return. The Lifetime Learning Credit is available for all post-secondary education for an unlimited number of years. A taxpayer cannot claim both credits for the same student in one year. For more information, see Pub. 970, "Tax Benefits for Education."

### **Retirement Savings Contribution Credit**

Eligible individuals may be able to claim a credit for a percentage of their qualified retirement savings contributions, such as contributions to a traditional or Roth IRA or salary reduction contributions to a SEP or SIMPLE plan. To be eligible, you must be at least age 18 at the end of the year and not a student or an individual for whom someone else claims a personal exemption. Also, your adjusted gross income (AGI) must be below a certain amount. For more information, see chapter four in Publication 590, "Individual Retirement Arrangements (IRAs)."

There are other credits available to eligible taxpayers. Since many qualifications and limitations apply to the various tax credits, taxpayers should carefully check the instructions for Form 1040, the publications and additional information on the IRS Web site at [www.irs.gov](http://www.irs.gov). IRS publications are available on the IRS Web site under "Forms and Publications" or by calling the toll free Forms and Publications telephone line at 1-800-TAX-FORM (1-800-829-3676) to place an order.

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